

VZCZCXRO5286

RR RUEHAG RUEHAST RUEHDA RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA RUEHLN  
RUEHLZ RUEHNP RUEHPOD RUEHROV RUEHRS RUEHSR RUEHVK RUEHYG  
DE RUEHSQ #0013/01 0130639  
ZNR UUUUU ZZH  
R 130639Z JAN 09  
FM AMEMBASSY SKOPJE  
TO RUEHC/SECSTATE WASHDC 7951  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE 0451  
RUEHAK/AMEMBASSY ANKARA 0214  
RUCNDT/USMISSION USUN NEW YORK 2361  
RUEAIIA/CIA WASHINGTON DC  
RUEKJCS/SECDEF WASHDC  
RUCPDO/USDOC WASHDC  
RHEBAAA/USDOE WASHDC

UNCLAS SECTION 01 OF 02 SKOPJE 000013

SENSITIVE  
SIPDIS

USAID FOR E&E/EG/EI/JHEIDARIAN/RICHORD  
USDOC FOR 4232/ITA/MAC/EUR/OECA/CSE/JBURGESS  
USDOC FOR 4232/ITA/MAC/EUR/OECA/CSE/CRUSNAK/HSMITH  
AMEMBASSY ANKARA FOR FCS/JFLUKER/SCETINKAYA  
STATE FOR EUR/SCE, EUR/UMB and EUR/RUS

E.O. 12958: N/A

TAGS: [ENRG](#) [PGOV](#) [PREL](#) [UP](#) [RS](#) [MK](#)  
SUBJECT: Macedonia Suffers Minimal Effects from Russian Gas Cutoff

Sensitive but unclassified. Please protect accordingly.

11. (SBU) Summary: As a minor consumer of natural gas, Macedonia has been affected only minimally by the cutoff of natural gas from Russia through Ukraine. Residential heating quickly transitioned to fuel oil and the greatest impact to date has been felt by two industrial users -- a steel producer and a pipe maker -- which together have placed about 2,000 employees on forced leave. The GoM has responded by promising to provide fuel oil to those companies that can switch from natural gas, and seeking an active international role. End Summary.

-----  
Limited reliance on gas  
-----

12. (SBU) Natural gas has never been a critical energy source for Macedonia. The country is served by one natural gas pipeline, the GA-MA (operated by Gasifikacija-Makedonija), which brings product originating from Russia, and transferred -- through Ukraine, Moldova, Romania and Bulgaria -- to Skopje. The pipeline entered into service in September 1998. Although the pipeline has a throughput capacity of 800 million cubic meters of gas per year, current use is only about ten percent of capacity. In a country primarily reliant on electrical power, natural gas is not yet used to generate electricity, a task left primarily to coal and fuel oil, which accounts for about 70 percent of power generation, and hydro-electric, which accounts for another ten percent. The remaining electrical needs are satisfied with imported power. With such slight exposure, some GA-MA officials have said that the cutoff's impact on Macedonia will be minimal.

-----  
Immediate effects of the cutoff  
-----

13. (SBU) Natural gas consumption in Macedonia is primarily industrial. Twenty-six businesses rely on gas delivered through the GA-MA pipeline. However, only two of these businesses, Skopje steel producer Makstil and pipe maker 11 October, located in Kumanovo, are unable to switch to alternative sources such as fuel oil to continue operating. As a result, these two businesses have been forced to reduce operations, sending about 2,000 employees home on forced leave. (Note: Makstil had already been facing difficult times as a result of the global economic crisis, and as early as November executives had discussed sending employees home on forced leave

during January holiday season. End Note.) Both companies have stated that they have no intention to lay off any employees as a result of this closure. The remaining consumers of natural gas are industrial users such as Toplifikacija, the private producer of city heating in Skopje. We understand they have switched to the use of fuel oil to satisfy energy needs previously met with natural gas. There is some anecdotal evidence that the transition has put some strain on equipment, but we do not know of people being in the cold.

-----  
GoM Response  
-----

14. (SBU) Still, the GoM engaged businesses quickly after the cutoff. On January 6, Prime Minister Gruevski, Deputy Prime Minister Stavreski, and Minister of Economy Besimi met with several representatives of country's Energy Regulatory Commission and industrial users. Also present was Vlatko Cingoski, Chairman of Board of Directors of the state-owned electricity producer ELEM (Elektrani na Makedonija), who is widely seen as a trusted adviser to the PM on energy issues. At that meeting, Stavreski offered to provide fuel oil from government reserves to companies as needed and said that Macedonia would closely follow developments and coordinate with other affected countries in the region.

15. (SBU) The GoM also has sought an active international role. On January 8, Foreign Minister Milososki met separately with the Ambassadors of Russia and Ukraine to express GoM dissatisfaction at the cutoff and to urge resolution. Speaking to the press, Milososki said that Europe's "energy security, including that of Macedonia, must not be brought into question due to a bilateral dispute. In

SKOPJE 00000013 002 OF 002

this context, we are faced with a serious diplomatic activity. We are in regular contact with the Czech EU Presidency and regional countries." In fact, DPM Stavreski had by then already discussed the issue with the Czech MFA, arranging the participation of Minister for European Integration Ivica Boceski and two "energy experts" at a planned EU-Russia-Ukraine meeting in Brussels on January 9.

16. (SBU) Comment: We agree with the assessment that the impact on Macedonia of the gas cutoff will be minimal. An extended closure could have serious effects on steel producer Makstil and the 11 October pipe factory, and even the temporary loss of 2,000 jobs is significant in this small economy with high (33 percent, officially) unemployment. However, the effects of the cutoff in Macedonia are not nearly as dramatic as those felt elsewhere. We have received no reports of disruptions in residential heating, and most industrial gas users have successfully transitioned to fuel oil, a product for which Macedonia has sufficient refining capacity fed by crude oil pipeline from the Greek port of Thessaloniki. End Comment.

REEKER